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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

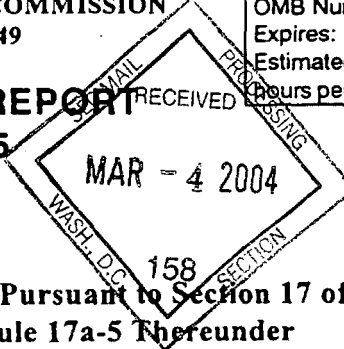
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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL	
OMB Number:	3235-0123
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8-65711



REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Dearborn Capital Markets Group, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3065 East Corporate Edge Drive, Suite 102

(No. and Street)

Germantown, TN 38138

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Andrew Van Vulpen (901) 435-5550

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Reynolds, Bone &amp; Griesbeck PLC

(Name - if individual, state last, first, middle name)

5100 Wheelis Drive, Ste. 300 Memphis, TN 38117

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 31 2004

THOMSON  
FINANCIAL

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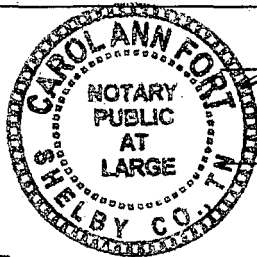
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Andrew Van Vulpen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dearborn Capital Markets Group, LLC, as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Carol Ann Fort

Notary **MY COMMISSION EXPIRES MARCH 27, 2007**



[Signature]  
Signature

PRESIDENT  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**DEARBORN CAPITAL MARKETS GROUP, LLC**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2003**

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*Dearborn Capital Markets Group, LLC*  
*December 31, 2003*

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REYNOLDS  
BONE &  
GRIESBECK PLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**INDEPENDENT AUDITOR'S REPORT**

The Members  
Dearborn Capital Markets Group, LLC  
Germantown, Tennessee

We have audited the accompanying statement of financial condition of Dearborn Capital Markets Group, LLC, a Tennessee limited liability company, as of December 31, 2003, and the related statements of loss, changes in member's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dearborn Capital Markets Group, LLC as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Reynolds, Bone & Griesbeck PLC*

February 20, 2004

Clark Centre  
5100 Wheelis Drive, Suite 300  
Memphis, Tennessee 38117-4558  
www.rbgcpa.com

## STATEMENT OF FINANCIAL CONDITION

*Dearborn Capital Markets Group, LLC*  
*December 31, 2003*

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### ASSETS

Cash	\$ 98,305
Deposit with clearing broker	50,107
Due from broker	10,545
Other assets	<u>11,788</u>
Total assets	<u>\$ 170,745</u>

### LIABILITIES AND MEMBER'S EQUITY

Liabilities	\$ -
Member's equity	<u>170,745</u>
Total liabilities and member's equity	<u>\$ 170,745</u>

## STATEMENT OF LOSS

*Dearborn Capital Markets Group, LLC*  
*Year Ended December 31, 2003*

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### Revenues

Commissions	\$ 161,612
Interest income	107
	<u>161,719</u>

### Expenses

Employee compensation and benefits	195,449
Communications and information services	59,021
Regulatory fees	7,427
Occupancy	10,241
Other operating expenses	44,010
	<u>316,148</u>

Net loss	<u><u>\$ (154,429)</u></u>
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## STATEMENT OF CHANGES IN MEMBER'S EQUITY

*Dearborn Capital Markets Group, LLC*  
*Year Ended December 31, 2003*

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Balance at January 1, 2003	\$ 170,174
Capital contribution	155,000
Net loss	<u>(154,429)</u>
Balance at December 31, 2003	<u>\$ 170,745</u>



**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO  
CLAIMS OF GENERAL CREDITORS**

*Dearborn Capital Markets Group, LLC*  
*Year Ended December 31, 2003*

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Subordinated liabilities at January 1, 2003	\$ -
No activity during year	-
Subordinated liabilities at December 31, 2003	<u>\$ -</u>

## STATEMENT OF CASH FLOWS

*Dearborn Capital Markets Group, LLC*  
*Year Ended December 31, 2003*

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Cash flows from operating activities	
Net loss	\$ (154,429)
Noncash adjustment - amortization	20,811
Changes in operating assets and liabilities	
Deposit with clearing broker	(50,107)
Due from broker	(10,545)
Other assets	(11,788)
Accounts payable and accrued expenses	<u>(5,000)</u>
Net cash used for operating activities	(211,058)
Cash flows from financing activity - capital contribution	<u>155,000</u>
Net decrease in cash	(56,058)
Cash at beginning of year	<u>154,363</u>
Cash at end of year	<u><u>\$ 98,305</u></u>

### Supplemental cash flow disclosures:

Cash paid for income taxes	\$ -
Cash paid for interest	-

## NOTES TO FINANCIAL STATEMENTS

*Dearborn Capital Markets Group, LLC*  
*December 31, 2003*

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

Dearborn Capital Markets Group, LLC (the Company), a Tennessee limited liability company formed on July 25, 2002, operates in Tennessee as a Securities and Exchange Commission (SEC) registered broker-dealer and a member of the National Association of Securities Dealers, Inc. (NASD). The Company began operations as a registered broker-dealer in May 2003. Activities prior to that date were devoted primarily to obtaining regulatory approvals and other administrative functions. In 2002, the Company received capital contributions of \$225,000 and incurred start-up expenses of \$54,826.

The Company has an agreement (Clearing Agreement) with a clearing broker to clear securities transactions, carry customer accounts on a fully disclosed basis, and perform certain record keeping functions. Accordingly, the Company operates under the exemptive provisions of SEC Rule 15c3-3(k)(2)(ii). The Clearing Agreement may be cancelled by either party 60 days after receipt of written notice.

#### *Limited Liability Company/Income Taxes*

The financial statements include only those assets, liabilities and results of operations that relate to the business of Dearborn Capital Markets Group, LLC. The financial statements do not include any assets, liabilities, revenues or expenses attributable to the member's individual activities.

As a limited liability company, the net income of the Company is not subject to federal income tax. The member reports the net income of the Company on the member's income tax return.

As a limited liability company, the member's liability is limited to amounts reflected in its member account.

#### *Use of Estimates*

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### *Securities Transactions*

In the ordinary course of business, the Company purchases and sells various types of bonds from other dealers for its customers. All of the Company's securities transactions are recorded on the trade date, as if they had settled.

## NOTES TO FINANCIAL STATEMENTS

*Dearborn Capital Markets Group, LLC*  
*December 31, 2003*

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Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

### *Start-Up Expenses*

Start-up expenses and organization costs incurred in organizing and capitalizing the Company, obtaining regulatory approvals, and preparing for commencement of operations have been expensed for financial statement purposes. The costs and expenses are being amortized over five years for income tax purposes.

## **2. NET CAPITAL REQUIREMENTS**

As a registered broker-dealer, the Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$158,957, which was \$58,957 in excess of its required net capital of \$100,000.

## **3. RELATED PARTY TRANSACTIONS**

Salary payments to the Company's member in 2003 totaled \$30,000.

The Company leases office space and equipment from a related party on a monthly basis. Rent expense paid during 2003 was \$6,200.

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES  
AND EXCHANGE COMMISSION  
SCHEDULE I**

*Dearborn Capital Markets Group, LLC  
December 31, 2003*

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**NET CAPITAL**

Total member's equity	\$ 170,745
Liabilities subordinated to claims of general creditors allowable in computation of net capital	-
Total capital and allowable subordinated liabilities	<u>170,745</u>
Deductions and/or charges for nonallowable assets: Other assets	<u>11,788</u>
Net capital	<u><u>\$ 158,957</u></u>

**AGGREGATE INDEBTEDNESS COMPUTATION**

Liabilities from statement of financial condition - accounts payable and accrued expenses	\$ -
Total aggregate indebtedness	<u><u>\$ -</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>-</u></u>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required	\$ 100,000
Excess net capital	<u>\$ 58,957</u>
Excess net capital at 1000%	<u><u>\$ 158,957</u></u>

No material differences exist between the above computation of net capital under rule 15c3-1 and that filed with the Company's unaudited December 31, 2003 FOCUS report.

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR  
BROKER-DEALERS UNDER RULE 15c3-3  
SCHEDULE II**

*Dearborn Capital Markets Group, LLC  
December 31, 2003*

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The Company is exempt from provisions of SEC rule 15c3-3 as an introducing broker or dealer clearing all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of SEC rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer. This exemption is in accordance with provisions of SEC rule 15c3-3(k)(2)(ii).

**INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENT  
UNDER RULE 15c3-3  
SCHEDULE III**

*Dearborn Capital Markets Group, LLC  
December 31, 2003*

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The Company is exempt from provisions of SEC rule 15c3-3 as an introducing broker or dealer clearing all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of SEC rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer. This exemption is in accordance with provisions of SEC rule 15c3-3(k)(2)(ii).

REYNOLDS  
BONE &  
GRIESBECK PLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**REPORT ON INTERNAL CONTROL REQUIRED BY  
SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN  
EXEMPTION FROM SEC RULE 15c3-3**

The Member  
Dearborn Capital Markets Group, LLC  
Germantown, Tennessee

In planning and performing our audit of the financial statements and supplemental schedules of Dearborn Capital Markets Group, LLC (the Company) for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we conducted a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the member, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Reynolds, Bone & Grissbeck PLC*